



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. 6009-N-01]

Privacy Act of 1974; System of Records: Loan Review System (LRS)

AGENCY: Office of Administration, HUD.

ACTION: Notice of a New System of Records.

SUMMARY: In accordance with the Privacy Act of 1974, the Department of Housing and Urban Development (HUD), Office of Lender Activities and Program Compliance provides public notice it proposes to establish a new system, Department of Housing and Urban Development system of records titled, “Loan Review System (LRS)”.

DATES: **EFFECTIVE DATE:** This system will become effective **[Insert 30-days after publication of this notice in the Federal Register]**.

COMMENTS DUE DATE: **[Insert date that is 30 days after the date of publication in the Federal Register]**.

ADDRESSES: You may submit comments, identified by docket number and title, by one following method:

Federal e-Rulemaking Portal: <http://www.regulations.gov>. Follow the instructions provided on that site to submit comments electronically.

Fax: 202-619-8365

Email: privacy@hud.gov.

Mail: Attention: Housing and Urban Development, Privacy Office; Marcus Smallwood, The Executive Secretariat; 451 Seventh Street, SW, Room 10139; Washington, DC 20410.

Instructions: All submissions received must include the agency name and docket number for this Federal Register document. The general policy for comments and other submission from members of the public is provide three submissions for public viewing on the internet at <http://www.regulations.gov>, as they are received without change, including any personal identifiers or contact information.

FOR FURTHER INFORMATION, CONTACT: For general questions please contact: Marcus Smallwood, Acting, Chief Privacy Officer, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410; telephone number 202-708-1515 for privacy issues please contact:

SUPPLEMENTARY INFORMATION: The LRS will provide a unified loan review process to improve HUD's ability to identify and mitigate loan-level risk and fraud in its Federal Housing Administration (FHA) Title II Single Family Housing program. The LRS will implement the newly developed Loan Quality Assessment Methodology (Defect Taxonomy) and will provide a standard approach for all loan reviews in order to:

- Communicate clear policy messages to involved counterparties;
- Encourage lending to FHA targeted populations;
- Provide feedback on the effectiveness of FHA's underwriting policies; and
- Provide a communication channel for lenders to view and respond to review findings.

The LRS will include policy automation, electronic case management, automated workflows, event-driven communications, enhanced reporting and advanced business intelligence/analytics.

The LRS will support holistic risk management through monitoring performance and policy compliance of lenders, including identification of key performance characteristics, risk drivers and comparative performance across counterparties. Reviews will include both loan and lender reviews. Loan reviews will be focused on both underwriting and servicing activities and will

provide reviewers with questions to help drive a standardized review across FHA Single Family Homeownership Centers.

This system of records is operated by Department of Housing and Urban Development (HUD)'s Office of Lender Activities and Program Compliance, and includes personally identifiable information (PII) provided by or about individuals from which information is retrieved by a name or unique identifier. This notice incorporates Federal privacy requirements and HUD policy requirements. The Privacy Act provides certain safeguards for an individual against an invasion of personal privacy by requiring Federal agencies to protect records in an agency system of records from unauthorized disclosure, ensure that information is current for its intended use, and that adequate safeguards are provided to prevent misuse of such information. The notice reflects the Department's focus on industry best practices in protecting the personal privacy of the individuals covered by each system notification. This notice states the name and location of the record system, the authority for and manner of its operations, the categories of individuals it covers, the records it contains, the sources of the information for those records, the routine uses made of the records, and the system of records exemption types. In addition, the notice includes the business address of the HUD officials who will inform interested persons of the procedures whereby they may gain access to and/or request amendments to records pertaining to them. The routine uses that apply to this publication are reiterated based on past publication to clearly communicate how HUD continues to conduct some of its business practices.

In accordance with 5 U.S.C. 552 a (e) (4) (11), HUD has provided a report of this new system to the Office of Management and Budget (OMB), the Senate Committee on Homeland Security and Governmental Affairs, and the House Committee on Oversight and Government Reform as

instructed by OMB Circular No. A-108, “Federal Agencies Responsibilities for Review, Reporting, and Publication under the Privacy Act.”

SYSTEM NAME AND NUMBER: Loan Review System (LRS)—HUD.HSNG/SF.001.

SECURITY CLASSIFICATION: Unclassified, but sensitive.

SYSTEM LOCATION: Loan Review System is hosted at the Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410, or at the locations of the service providers under contract with HUD. Paper records will be stored in the designated secure National Archives and Records Administration Federal Records Centers.

SYSTEM MANAGER(S): Marcus Smallwood, Acting, Chief Privacy Officer, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410; telephone number 202-402-5581.

AUTHORITY FOR MAINTENANCE OF THE SYSTEM: Section 203 of the National Housing Act (12 U.S.C. §§ 1701l-1, 1708(a), 1709(r), and 1715(u)); 42 U.S.C. § 3543 “Preventing fraud and abuse in Department of Housing and Urban Development programs” (enacted as part of the Housing and Community Development Act of 1987); and 31 U.S.C. § 7701 (The Debt Collection Improvement Act of 1986).

PURPOSE(S) OF THE SYSTEM: The purpose of the Loan Review System (LRS) is to build on existing Federal Housing Administration (FHA) Title II Single Family loan review efforts, align the documentation of loan review results across counterparties, and incorporate the newly developed Loan Quality Assessment Methodology (Defect Taxonomy). The Defect Taxonomy provides a standard approach for all FHA Title II loan reviews for Single Family Housing Programs in order to:

- Communicate clear policy messages to involved counterparties;

- Encourage lending to FHA targeted populations;
- Provide feedback on the effectiveness of FHA underwriting policies;
- Support holistic risk management through monitoring performance and policy compliance of lenders; and
- Identify key performance characteristics, risk drivers and comparative performance across counterparties.

The FHA Title II reviews will include both loan and lender reviews that focus on both underwriting and servicing activities to provide HUD reviewers with the questions to help drive standardized reviews across FHA Homeownership Centers. It will additionally provide communication channels for lenders to view and respond to issues found in the reviews.

The LRS will manage FHA's Title II Quality Control Reviews: Title II test case loan reviews, various Title II post-endorsement loan reviews, Title II lender monitoring reviews, and Title II loans reported by lenders due to instances of fraud and misrepresentation or other material findings (commonly known as "self-reports"). LRS is not designed to manage any aspect of FHA's standard (non-test case) loan origination or endorsement processes. Following a transition, LRS will merge the loan review workload management functions performed by the Underwriting Review System, and the Approval Recertification, Review Tracking System into a single integrated application. In addition, LRS will assume the lender reporting functions managed in the Neighborhood Watch Early Warning System.

CATEGORIES OF INDIVIDUALS COVERED BY THE SYSTEM: The categories of individuals covered by the system include Mortgagors (Borrowers) who have obtained a mortgage insured under the Department of Housing and Urban Development (HUD)/Federal

Housing Administration Single Family mortgage insurance program; Mortgagee (Lender) staff Appraisers, Underwriters and Loan Officers involved in appraising, underwriting or servicing the mortgage; and HUD Employees involved in the loan review process.

CATEGORIES OF RECORDS IN THE SYSTEM: The categories of records maintained by the system include:

- **Mortgagor (Borrower):** Borrower(s) Full Name, Borrower(s) Social Security number, Borrower(s) Date of Birth, Income, Credit Score, Non-Borrowing Spouse Social Security number.
- **Mortgagee (Lender Institution):** Originating, Underwriting and/or Servicing Mortgagee Institution ID, Institution Name, Institution Type, Institution Status, Branch Type, Branch ID, Nationwide Multistate Licensing System ID.
- **Mortgagee Appraiser:** First Name, Last Name, Middle Name, Suffix.
- **Mortgagee Underwriter:** First Name, Last Name, Middle Name, Suffix, Federal Housing Administration FHA Underwriter ID.
- **Mortgagee Loan Officer:** First Name, Last Name, Middle Name, Nationwide Multistate Licensing System ID.
- **HUD Employees:** Names and identification of all HUD employees with access to the system records. Also, identification information is stored for employees who work with mortgage applications through Federal Housing Administration Connection.
- **Case Information:** Federal Housing Administration Case Number, Case Established Date, Case Reinstatement Date, Case Type.
- **Case Property:** Basement Code, Neighborhood Percentage Owned, Neighborhood Predominate, Price, Subdivision Indicator, Property Acquisition Date, Property Street, Property Conversion Type, Rural Neighborhood Code, Neighborhood Single Family

Home Percentage, Subdivision Lot Indicator, Building Type, Date of Sale or Transfer, Sale Amount, Year Built, City, Zip, Geocode Flag, Underserved Indicator, Block, Lot, House Number, Street Number.

- **Servicing Status:** Servicing Status, Claims, and Indemnification Agreements.

RECORD SOURCE CATEGORIES: Mortgagors, appraisers, mortgagee staff, underwriters, and the Department of Housing and Urban Development (HUD) employees provide data to the originating source systems. The originating source systems then pass select data onto the Enterprise Data Management (EDM). LRS includes direct interfaces to these systems:

- P302 – Enterprise Data Management (EDM)
- F17 – Computerized Homes Underwriting Management System (CHUMS)
- F17C – FHA Connection (FHAC)
- P278 – Lender Electronic Assessment Portal (LEAP)

The originating source systems application for HUD/FHA Insured Mortgage – Forms HUD 92900-A, HUD-92900-B, HUD-92900-LT, HUD 92544, HUD-92561, Model Notice Informed Consumer Choice Disclosure, Model Pre-Insurance Review Checklist for Lender Insurance.

ROUTINE USES OF RECORDS MAINTAINED IN THE SYSTEM, INCLUDING

CATEGORIES OF USERS AND THE PURPOSES OF SUCH USES: In addition to those disclosures generally permitted under 5 U.S.C. Section 552a(b) of the Privacy Act, all or a portion of the records or information in this system may be disclosed to authorized entities, as determined to be relevant and necessary, outside the Department of Housing and Urban Development (HUD) as a routine use pursuant to 5 U.S.C. 552a(b)(3):

1. To appropriate agencies, entities, and persons for disclosures compatible with the purpose for which the records in this system were collected, as set forth by Appendix I – HUD’s Routine Use Inventory Notice published in the Federal Register (80 FR 81837-81840),:

- a. To the National Archives and Records Administration or to the General Services Administration for records having enough historical or other value to warrant continued preservation by the United States Government, or for inspection under Title 44 U.S.C. 2904 and 2906.
- b. To a congressional office from the record of an individual, in response to an inquiry from that congressional office made at the request of that individual.
- c. To contractors performing or working under a contract with HUD, when necessary to accomplish an agency function related to this system of records. Disclosure requirements are limited to only those data elements considered relevant to accomplishing an agency function. Individuals provided information under these routine use conditions are subject to Privacy Act requirements and disclosure limitations imposed on the Department.
- d. To the Department of Justice(DOJ) when seeking legal advice for a HUD initiative or in response to DOJ's request for the information, after either HUD or DOJ determine that such information relates to DOJ's representatives of the United States or any other components in legal proceedings before a court or adjudicative body, provided that, in each case, the agency also determines prior to disclosure that disclosure of the records to DOJ is a use of the information in the records that is compatible with the purpose for which HUD collected the records. HUD on its own may disclose records in this system of records in legal proceedings before a court or administrative body after determining that the disclosure of the records to the court or administrative body is a use of the information contained in the records that is compatible with the purpose for which HUD collected the records.

2. To HUD business partners (Mortgagees) to fulfill their business arrangements with HUD for managing quality control review responsibilities associated with FHA-insured single family mortgage loans. Information that is accessible to Mortgagees through LRS is limited only to records where the Mortgagee is the originating, underwriting, servicing or holding institution of record. This information may only be accessed through an FHA Connection user ID and password.
3. To appropriate agencies, entities, and persons as necessary when:
 - (a) HUD suspects or has confirmed that there has been a breach of the system of records,
 - (b) HUD has determined that as a result of the suspected or confirmed breach there is a risk of harm to individuals, HUD (including its information systems, programs, and operations), the Federal Government, or national security; and
 - (c) The disclosure made to such agencies, entities, and persons is reasonably necessary to assist in connection with HUD efforts to respond to the suspected or confirmed breach or to prevent, minimize, or remedy of such harm.
4. To another Federal agency or Federal entity, when HUD determines that information from this system of records is reasonably necessary to assist the recipient agency or entity in:
 - (a) Responding to a suspected or confirmed breach or,
 - (b) Preventing, minimizing, or remedying the risk of harm to individuals, the recipient agency or entity (including its information systems, programs, and operations), the Federal Government, or national security, resulting from a suspected or confirmed breach.

POLICIES AND PRACTICES FOR STORAGE OF RECORDS: Mitigation documentation will be stored using the enterprise content management platform (Alfresco software) in the Azure cloud environment. Automated records are also stored and maintained in the Azure cloud

environment. Paper binders collected for reviews will be stored in the designated secure Federal Records Centers, which are used to store paper binders reviewed for endorsement.

POLICIES AND PRACTICES FOR RETRIEVAL OF RECORDS: Records are retrieved by Federal Housing Administration case number or Loan Review System review identification number.

POLICIES AND PRACTICES FOR RETENTION AND DISPOSAL OF RECORDS:

Electronic records of cases established are retained and disposed of in accordance with the Department of Housing and Urban Development approved Records Retention and Disposition Schedule approved by the National Archives and Records Administration (NARA). Privacy Act/Freedom of Information Act disclosures are retained in accordance with the NARA General Records Schedule. Schedule 15 Item 1a, permits HUD to delete when no longer for agency use. Longer retention periods exist for original content in source systems.

ADMINISTRATIVE, TECHNICAL, AND PHYSICAL SAFEGUARDS: Automated records are maintained in secured areas within the system. Access is limited to authorized personnel with a need-to-know based on unique FHA Connection User IDs and confidential passwords. Physical entry by unauthorized person is restricted though the use of locks, guards, passwords, and/or other security measures. Paper records are maintained and secured, limited access and monitored areas.

RECORD ACCESS PROCEDURES: For information, assistance, or inquiry about records, contact Marcus Smallwood, Acting, Chief Privacy Officer 451 Seventh Street, SW, Room 10139, Washington, DC 20410, telephone number (202) 708-3054. When seeking records about yourself from this system of records or any other Housing and Urban Development (HUD) system of records, your request must conform with the Privacy Act regulations set forth in 24

CFR Part 16. You must first verify your identity, meaning that you must provide your full name, address, and date and place of birth. You must sign your request, and your signature must either be notarized or submitted under 28 U.S.C. § 1746, a law that permits statements to be made under penalty of perjury as a substitute for notarization. In addition, your request should:

- a. Explain why you believe HUD would have information on you.
- b. Identify which Office of HUD you believe has the records about you.
- c. Specify when you believe the records would have been created.
- d. Provide any other information that will help the Freedom of Information Act (FOIA), staff determine which HUD office may have responsive records.

If your request is seeking records pertaining to another living individual, you must include a statement from that individual certifying their agreement for you to access their records.

Without the above information, the HUD FOIA Office may not conduct an effective search, and your request may be denied due to lack of specificity or lack of compliance with regulations.

CONTESTING RECORD PROCEDURES: The Department's rules for contesting contents of records and appealing initial denials appear in 24 CFR Part 16, Procedures for Inquiries.

Additional assistance may be obtained by contacting Marcus Smallwood, Acting, Chief Privacy Officer, 451 Seventh Street, SW, Room 10139, Washington, DC 20410, or the HUD

Departmental Privacy Appeals Officers, Office of General Counsel, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington DC 20410.

NOTIFICATION PROCEDURES: Individuals seeking notification of and access to any record in this system of records, or seeking to contest its content, may submit a request in writing to the component's FOIA Officer, whose contact information can be found at <http://www.hud.gov/foia> under "contact" if an individual believes more than one component maintains Privacy Act records about him or her, the individual may submit the request to the Chief Privacy Officer, HUD, 451 Seventh Street, SW, Room 10139, Washington, DC 20410.

EXEMPTIONS PROMULGATED FOR THE SYSTEM: None.

HISTORY: None.

May 4, 2017

Date

Helen Goff Foster
Senior Agency Official for Privacy

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